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Message Text

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INFO OCT-01 ISO-00 IO-14 AF-10 ARA-16 EA-11 EUR-25 NEA-11

RSC-01 OPIC-12 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10

PA-04 AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00

PRS-01 SPC-03 FEA-02 OMB-01 SAM-01 NSCE-00 SSO-00

USIE-00 INRE-00 DRC-01 /241 W
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O P 301844Z JAN 74
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 3710
INFO AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THEHAGUE
AMEMBASSY ISLAMABAD
AMEMBASSY KUALALUMPUR
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY MONTEVIDEO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PRETORIA
AMEMBASSY ROM
AMEMBASSY WARSAW
AMEMBASSY WELLINGTON
USOECD PARIS UNN
USEC BRUSSELS PRIORITY UNN

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PASS STR

E.O. 11652: N/A
TAGS: ETRD, GATT, EC, US
SUBJ: GATT ARTICLE XXIV:6 NEGOTIATIONS

BEGIN SUMMARY: US-EC RESUMED FORMAL ARTICLE XXIV:6 NEGOTIATIONS JANUARY 28-30. DELEGATIONS GAVE OVERALL VIEWS ON CURRENT STATUS OF NEGOTIATIONS AS AFFECTED BY DECEMBER EC REVISED OFFER AND US AIDE MEMOIRE AND REQUEST LIST OF JANUARY 14. AT END OF MEETINGS, DIFFERENCES REMAINED WIDE AS EVER. BASIC EC THESIS WAS THAT EC OFFER DECIDEDLY OVER-COMPENSATES US ON BOTH TRADE COVERAGE AND DUTIES COLLECTED BASIS. EC REP (LUYTEN) PRESENTED REVISED BALANCE SHEET PURPORTING DEMONSTRATE THIS. US REJECTED EC ARGUMENTATION AND GAVE OUR OWN CALCULATIONS. ALSO STRESSED THAT PROMPT SETTLEMENT URGENTLY NEEDED, AND THAT TIME HAS COME FOR PRAGMATIC, POLITICAL COMPROMISE. IN REPEATING ARGUMENTATION IN JANUARY 14 US AIDE MEMOIRE, MADE CLEAR THAT US REQUEST PRESENTED AS BASIS FOR DISCUSSION. END SUMMARY.

1. EC (LUYTEN) BEGAN BY REPEATING STANDARD EC ARGUMENTS AND INCLUDING POINT MADE WHEN EC PRESENTED DECEMBER OFFER THAT IT CANNOT BE BASIS SUCCESSIVE SERIES IMPROVEMENTS. HE FURNISHED AND COMMENTED ON REVISED BALANCE SHEET DRAWN UP BY EC WHICH SHOWS US OVER-COMPENSATED ON BOTH DUTIES COLLECTED AND TRADE COVERAGE BASIS. SAID THIS IS PROOF US HAS GAINED AS RESULT ALL CHANGES IN UK, DANISH, IRISH DUTIES IN CONNECTION ACCESSION TO EC AND THAT NOTHING FURTHER OWED. DESCRIBED DECEMEMBER IMPROVEMENT AS EFFORT TO CREATE CONSTRUCTIVE CLIMATE WHICH WOULD BE ESSENTIAL
TO SUCCESS FORTHCOMING NEGOTIATIONS. US (BRUNGART) MADE STATEMENT ALONG FOLLOWING LINES: (1) WE HAD FOUND ORIGINAL EC OFFER OF JANUARY 1973
INADEQUATE; (2) RECALLED THAT NEGOTIATIONS DURING FIRST HALF 1973 HAD FAILED
TO LEAD TO COMMON ASSESSMENT OUR CLAIM OR THEIR OFFER LARGELY BECAUSE OF DIFFERING INTERPRETATIONS OF GATT ARTICLE XXIV:6 REQUIREMENTS. ACCORDINGLY, NEW PRAGMATIC APPROACH WAS NEEDED; (3) NOTED THAT US WELCOMED EC EFFORT DURING FALL AND WINTER TO DEVELOP NEW OFFER WHICH WE RECEIVED IN DECEMBER. UNFORTUNATELY,
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HOWEVER, AFTER EXAMINATION WE CONCLUDED NEW OFFER WENT ONLY PART OF WAY TOWARD PROVIDING BASIS FOR SATISFACTORY SETTLEMENT; (4) RECALLED THAT US THEREFORE GAVE EC AIDE MEMOIRE JANUARY 14, 1974 INDICATING CONCESSIONS REQUESTED WHICH WOULD CONSTITUTE SAISFACTORY SETTLEMENT. UNDERLINED THAT TOTAL OF CONCESSIONS REQUESTED IS WITHIN LIMITS OF CLAIM. ALSO STRESSED THAT OUR REQUEST WAS PRESENTED AS BASIS FOR DISCUSSION. (NOTE: LUYTEN SUBSEQUENTLY STATED EC UNDERSTOOD ESSENCE OF US REQUEST WAS GRAINS PLUS LIST B

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OF AIDE MEMOIRE PLUS ONE ITEM ON LIST C.) US STATEMENT WENT ON TO DESCRIBE WHY WE CONSIDERED OUR REQUEST FOR GRAINS ROLLOVER WAS IMPORTANT CONCESSION ON OUR PART; (5) US CONCLUDED THAT TIME HAS NOW COME FOR POLITICAL COMPROMISE TO SETTLE THIS SERIOUS AND IMPORTANT MATTER. SETTLEMENT IS URGENT SO THAT MATTER WILL NOT CONTINUE TO FESTER AND
AGGRAVATE MUTUAL RELATIONS AT A TIME WHEN WE HAVE SO MANY OTHER IMPORTANT MATTERS ON OUR AGENDA. ALSO, UNDER ARTICLE XXVIII WE HAVE ONLY SIX MONTHS IN WHICH OUR OPTIONS REMAIN CLEARLY OPEN. WE HAVE BEEN DISCUSSING MATTER WITH EC AND POLITICAL LEVEL, AND WE HOPE THOSE TALKS TOGETHER WITHOUR DISCUSSION HERE WILL ACHIEVE DESIRED RESULT.

3. US ALSO GAVE COMMODITY PRESENTATION ON PRINCIPAL ITEMS IN JANUARY 14 REQUEST. EC DID NOT RESPOND DIRECTLY. INSTEAD LUYTEN ARGUED THAT US APPROACH INVOLVED ATTEMPT TO PRESSURE RATHER THAN TO PERSUADE EC WITH SOUND REASONING. ARGUED OUR CITATIONS OF CONGRESSIONAL INTEREST IN OUR REQUEST ITEMS WAS INAPPROPRIATE. ALSO CITED EXAMPLES OF CASES WHERE DUTIES ON PRODUCTS OF INTEREST TO US BEING BOUND AT SIGNIFICANTLY LOWER LEVEL. US RESPONDED THAT DISCUSSION SEEMED TO BE WANDERING INTO 24:5 CONTEXT, AND RECALLED PROVISIONS OF ARTICLE XXIV:6 WHICH CALLED FOR A NEGOTIATION, NOT A STATISTICAL COMPARISON. NOTED T
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5. AMONG OTHER POINTS COVERED WERE:

A. EC AGAIN ALLEGED WE WERE ASKING THEM PAY FOR ELIMINATION OF INTRA-COMMUNITY DUTIES. WE REITERATED THIS FALSE. NOTED, HOWEVER, IN ASSESSING VALUE OF POSSIBLE CONCESSIONS WE WOULD NEED TOMAKE JUDGMENT ON POTENTIAL OF OFFER TO IMPROVE OUR TRADE PROSPECTS AND THAT WE COULD NOT BE EXPECTED TO GIVE CREDIT FOR OFFERS THAT DID NOT IMPROVE OUR EXPORT POSSIBILITIES.

B. EC CLAIMED WE WERE ARGUING ALL DUTY INCREASES IN THREE WERE DAMAGING TO US, BUT WERE UNWILLING GIVE CREDIT FOR DUTY REDUCTIONS. WE RESPONDED THAT OUR ANALYSIS (JULY 3 PAPER PRESENTED TO EC DELEGATION) EXPLAINED WHY WE GAVE NO NET CREDIT FOR DUTY DECREASES. (OVERALL ANALYSIS OF TRADE EFFECTS SHOWED THAT ON BALANCE US EXPORTS TO EC ADHERENTS WOULD DECLINE AS RESULT OF ENLARGEMENT.)

C. LUYTEN CHALLENGED OUR ASSERTION THAT 65 PERCENT OF AGRICULTURAL EXPORTS WILL FACE HIGHER DUTIES. ARGUED THAT MANY VARIABLE LEVIES NOW REDUCED OR SUSPENDED. WE RESPONDED OUR CALCULATION BASED ON AGREED 1970/71 BASE PERIOD. (HE OBJECTED THIS BASE NOT APPROPRIATE FOR THIS PURPOSE.) WE FURTHER STATED THAT AS LUYTEN HAD RECOGNIZED, FUTURE LEVEL OF VARIABLE LEVIES CANNOT BE FORESEEN, AND EVEN THIS UNCERTAINTY IS UNFAVORABLE ELEMENT.

D. WE COMPLAINED THAT EC REP SEEMED TO CONSIDER MEETING MORE A DEBATING EXERCISE THAN AN EFFORT TO ARRIVE AT A MUTUALLY ACCEPTABLE COMPROMISE.

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6. IN INTRODUCTORY STATEMENT LUYTEN INDICATED SIDE TECHNICAL
TALKS WELL ADVANCED AND SHOULD BE ABLE BE COMPLETED RELATIVELY
EASILY. WE AGREED TECHNICAL TALKS GOING WELL AND EXPRESSED
APPRECIATION FOR EC PROPOSED FORMULA ON HISTORIC INRS WHICH
WE WOULD STUDY. WE ALSO POINTED OUT TECHNICAL TALKS COULD NOT
BE COMPLETED UNTIL SUBSTANTIVE NEGOTIATIONS FINISHED.

7. DELEGATION CONTACTED REPS OTHER COUNTRIES CONDUCTING
24:6 NEGOTIATIONS WITH EC NOTING EC 113 COMMITTEE WOULD
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PROBABLY CONSIDER MATTER FEBRUARY 4, AND PROBABLY WOULD CONSIDER
SILENCE MEANT ACQUIESCENCE. WE THEREFORE HOPED THEY WOULD MAKE
VIEWS KNOWN BEFORE 113 COMMITTEE MEETING. RESPONSES WERE AS
FOLLOWS: YUGO, ARGENTINA, NEW ZEALAND, POLAND, SOUTH AFRICA, PAKITAN
,
URUGUAY, BRAZILAND MALAYSIA: LOCAL REPS ALL APPRECIATED INFO
ABOUT 113 MEETING FEVRUARY 4 AND SAID THEY WOULD CONTACT CAPITALS
PROMPTLY AND URGE THEIR GOVTS TO INFORM EC BEFORE FEBRUARY 4 OF
THEIR REACTION TO EC OFFER. ALL OF THESE REPS QUITE CONFIDENT THEIR
GOVTS ARE NOT SATISFIED WITH EC OFFER TO DATE AND THEY ATTRIBUTE
THEIR GOVTS' SILENCE THUS FAR TO DOUBTS THAT EC WILL PAY ANY
ATTENTION TO THEIR COMPLAINTS. CANADA HAS SENT PAPER TO EC
COMMISSION (SOAMES) AND EC MEMBER STATES EXPRESSING
MILD DISAPPOINTMENT WITH EC OFFER AND REQUESTING IMPROVEMENT.
AUSTRALIANS HAVE ALREADY REQUESTED XXIV:6 DISCUSSION HERE
WITH EC ON FEBRUARY 19, THUS PREVENTING ANY SUPPOSITION THAT
SILENCE MEANS CONSENT ON THEIR PART.

8. COMMENT: BASIC COMMISSION POSTURE WAS SIMILAR TO THAT
IN PAST GENEVA 24:6 MEETINGS - VIGOROUS DEFENSE OF BALANCE SHEET
APPROACH AS QUOTE PROOF UNQUOTE THAT US MORE THAN ADEQUATELY
COMPENSATED. OUR PRESENTATION AIMED AT SIMULTANEOUSLY UNDERLINING
OUR VIES RE NEED FOR PROMPT COMPROMISE SETTLEMENT AND MAKING IT
CLEAR THAT WE DO HAVE STRONG GATT CASE FOROUR CLAIM. BELIEVE
CIRCULATION OF OUR OWN CALCULATIONS WAS EFFECTIVE IN COUNTERING LUYTEN

ATTEMPT CREATE IMPRESSION THAT US UNABLE PRESENT STATISTICAL CASE.
HOWEVER, US WILL HAVE TO AVOID PITFALLS OF EXTENDED TECHNICAL EXAM
OF CONTRASTING CALCULATIONS WHICH COULD DIVERT ATTENTION FROM NEED
FOR PROMPT HIGH LEVEL POLITICAL DECISIONS. WE CIRCULATED OUR OPENING
STATEMENT, OUR CRITIQUE OF EC BALANCE SHEET, AND OUR OWN DATA TO
HELP ENSURE THAT EC MEMBER STATES APPRISED OF OUR CASE.BASSIN

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Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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TAGS: ETRD, US, GATT, EEC
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